

Panel Discussion

MDBs' work with women-led SMEs through We-Fi funds and impact evaluation agendas

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My own ongoing work with the Asian Development Bank (ADB)

Vietnam

- ▶ With We-Fi support, have been testing approaches to increase lending to WSMEs with about \$10k-100k USD ticket size, with a leading commercial bank in Vietnam.
 - ▶ Focus on operational/organization changes, rather than customer-facing (e.g., product)
- ▶ Had opportunity to take a **partnership approach** with the bank's SME department over the course of about 1 year, considering a number of intervention options (e.g., branch-level KPIs, loan officer KPIs, training loan officers or clients, loan officer hiring).
- ▶ In the end, our project involves two parallel RCTs:
 1. Incentivizing **loan officers** to lend to WSMEs (co-author Markus Taussig presented Phase 1).
 - Phase 2 of intervention (Feb, 2024 - July, 2024); added lagged borrowers
 2. Incentivizing **introductions** to WSMEs by *existing* SME clients.

Fiji

- ▶ Study on the impact of a Secured Transaction Reform, which could particularly benefit women entrepreneurs as it expands options for collateral beyond land and buildings.
- ▶ Over-sampled WSMEs (29% vs 22%); dovetails with work on WE Finance Code.

Other ADB activities and priorities [caveat: I am not ADB staff]

- ▶ Promoting women's entrepreneurship is a key feature in ADB sovereign and non-sovereign operations.
 - ▶ Across all private sector finance operations, ADB sets targets for lending to WSMEs.
 - ▶ ADB has also launched its first gender bond in Georgia, with all use of proceeds going on to women entrepreneurs.
- ▶ In other We-Fi operations in Sri Lanka, over 1,500 women have had access to finance, which is 3 times the original target. Like Viet Nam, the Sri Lanka program has a holistic approach, bringing together both policy, private sector and training components to ensure that the intervention builds sustainability in an ecosystem approach.
- ▶ In Indonesia and the Philippines, ADB has been working through a JP Morgan grant to look at supporting women entrepreneurs' access to markets: this includes adoption of a definition of women-owned/led business; gender-responsive procurement guidelines; and new gender and trade e-learning program for government officials, carried out in partnership with UNCTAD.

Other ADB future priorities and research interests

- ▶ Various incentives to incentivize change in the entrepreneurship/financing ecosystem—how do we tackle remaining biases (both conscious and unconscious), and strengthen the business case for investing in women entrepreneurs?
- ▶ Linkages between investing in women's businesses through facilitating their access to finance and building stronger community and societal support for these initiatives to ensure that women can thrive—as measured by decision-making over their assets and revenue.

Other research directions

- ▶ Stronger evidence of misallocation of capital to women entrepreneurs can bolster the efficiency case for policy intervention supporting womens' credit access.
 - ▶ Morazzoni and Sy (Journal of Monetary Economics, 2021) quantifies capital misallocation among female entrepreneurs in the U.S. (magnitude 4% of output).
 - ▶ Lack of comparable analysis on emerging markets (in spite of work on misallocation in other areas; e.g., female labor supply and entrepreneurship).
- ▶ AI as a tool to scale training / information provision to MSMEs.
 - ▶ Early evidence on effects of AI on MSMEs (e.g., Otis et al, 2024) has very mixed findings around impacts on entrepreneurs in emerging markets (here: Kenya).
 - ▶ AI approaches not scalable atm, but it holds some promise for further investigation.

Other research directions

- ▶ How to get banks to adopt more of a risk-orientation (including to reach underserved segments like women)?
 - ▶ Anecdotally, often find a frustrating unwillingness to take risk / innovative in many emerging markets I work in.
 - ▶ Prior research shows that short-term subsidies can lead to persistent effects on technology adoption (e.g., Dupas, 2014, Econometrica).
 - ▶ I have a prior study on Indonesia that shows that a credit guarantee can have persistent effects on SME lending (Indonesia). Anecdotes of loan officer human capital building. Vietnam study shows persistence at micro-level with loan officers.
 - ▶ But of course subsidies can go wrong and just cause crowd-out.
 - ▶ How do we get banks to build relevant knowledge and human capital—e.g., expert loan officers on WSMEs and the sectors they concentrate in, credit committee, etc?
- ▶ Flexible financing
 - ▶ Leveraging new lending approaches, e.g., digital data sources to do cash flow-based lending.